



February 20, 1996

SUMMARY AUDIT REPORT

OFFICIAL AUDIT RELEASE

MEMORANDUM TO: Board Of Directors
Audit Committee

FROM: James A. Renick
Principal Deputy Inspector General

SUBJECT: Audit Report - Termination of Oxford Finance
Companies, Inc. Small Asset Servicing Contract

As part of our responsibility for providing independent financial audits of closed banks for the Board of Directors, the Liquidation Financial Audit Branch has completed an audit of the Oxford Finance Companies, Inc. (Oxford) contract termination. Oxford of Philadelphia, Pennsylvania, is a subsidiary of Oxford First Corporation. Oxford owned and serviced installment receivables throughout the nation and is a third party servicer. On February 20, 1992, FDIC entered into a small asset servicing agreement with Oxford. The contract was scheduled to continue until February 16, 1996; however, due to Oxford's Chapter 11 bankruptcy filing, the agreement was terminated on November 30, 1995, and FDIC transferred all remaining loans to another servicer. During the period from our previous audit (August 31, 1993) to November 30, 1995, Oxford reported receipts totaling approximately \$62 million.

The FDIC established functions to coordinate activities with Oxford, sell the small assets, and record financial information on the Financial Information System (FIS). The Division of Depositor and Asset Services' (DAS) Small Asset Servicing Center (SASC) was established to coordinate activities with Oxford and the FDIC service centers. These activities included the selection of assets to transfer to Oxford and reconciling Oxford's records to the FDIC's subledger and general ledger. The DAS National Small Asset Sales Unit (NSASU) was responsible for the sale of the small assets and the Division of Finance (DOF) Contractor Accounting and Oversight Group (CAOG) was responsible for the review and posting of transactions to FIS.



February 20, 1996

SUMMARY AUDIT REPORT

OFFICIAL AUDIT RELEASE

MEMORANDUM TO: John F. Bovenzi, Director
Division of Depositor and Asset Services

FROM: James A. Renick
Principal Deputy Inspector General

SUBJECT: Audit Report - Termination of Oxford Finance
Companies, Inc. Small Asset Servicing Contract

As part of our responsibility for providing independent financial audits of closed banks for the Board of Directors, the Liquidation Financial Audit Branch has completed an audit of the Oxford Finance Companies, Inc. (Oxford) contract termination. Oxford of Philadelphia, Pennsylvania, is a subsidiary of Oxford First Corporation. Oxford owned and serviced installment receivables throughout the nation and is a third party servicer. On February 20, 1992, FDIC entered into a small asset servicing agreement with Oxford. The contract was scheduled to continue until February 16, 1996; however, due to Oxford's Chapter 11 bankruptcy filing, the agreement was terminated on November 30, 1995, and FDIC transferred all remaining loans to another servicer. During the period from our previous audit (August 31, 1993) to November 30, 1995, Oxford reported receipts totaling approximately \$62 million.

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February 20, 1996

SUMMARY AUDIT REPORT

OFFICIAL AUDIT RELEASE

MEMORANDUM TO: Steven A. Seelig, Director
Division of Finance

FROM: James A. Renick
Principal Deputy Inspector General

SUBJECT: Audit Report - Termination of Oxford Finance
Companies, Inc. Small Asset Servicing Contract

As part of our responsibility for providing independent financial audits of closed banks for the Board of Directors, the Liquidation Financial Audit Branch has completed an audit of the Oxford Finance Companies, Inc. (Oxford) contract termination. Oxford of Philadelphia, Pennsylvania, is a subsidiary of Oxford First Corporation. Oxford owned and serviced installment receivables throughout the nation and is a third party servicer. On February 20, 1992, FDIC entered into a small asset servicing agreement with Oxford. The contract was scheduled to continue until February 16, 1996; however, due to Oxford's Chapter 11 bankruptcy filing, the agreement was terminated on November 30, 1995, and FDIC transferred all remaining loans to another servicer. During the period from our previous audit (August 31, 1993) to November 30, 1995, Oxford reported receipts totaling approximately \$62 million.

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February 20, 1996

DETAILED AUDIT REPORT

OFFICIAL AUDIT RELEASE

MEMORANDUM TO: G. Michael Newton, Regional Director
Southwest Service Center

FROM: David H. Loewenstein
Assistant Inspector General

SUBJECT: Audit Report - Termination of Oxford Finance
Companies, Inc. Small Asset Servicing Contract

As part of our responsibility for providing independent financial audits of closed banks for the Board of Directors, the Liquidation Financial Audit Branch has completed an audit of the Oxford Finance Companies, Inc. (Oxford) contract termination. Oxford of Philadelphia, Pennsylvania, is a subsidiary of Oxford First Corporation. Oxford owned and serviced installment receivables throughout the nation and is a third party servicer. On February 20, 1992, FDIC entered into a small asset servicing agreement with Oxford. The contract was scheduled to continue until February 16, 1996; however, due to Oxford's Chapter 11 bankruptcy filing, the agreement was terminated on November 30, 1995, and FDIC transferred all remaining loans to another servicer. During the period from our previous audit (August 31, 1993) to November 30, 1995, Oxford reported receipts totaling approximately \$62 million.

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February 20, 1996

DETAILED AUDIT REPORT

OFFICIAL AUDIT RELEASE

MEMORANDUM TO: Sharon E. Schroder, Financial Manager
Southwest Finance Center

FROM: David H. Loewenstein
Assistant Inspector General

SUBJECT: Audit Report - Termination of Oxford Finance
Companies, Inc. Small Asset Servicing Contract

As part of our responsibility for providing independent financial audits of closed banks for the Board of Directors, the Liquidation Financial Audit Branch has completed an audit of the Oxford Finance Companies, Inc. (Oxford) contract termination. Oxford of Philadelphia, Pennsylvania, is a subsidiary of Oxford First Corporation. Oxford owned and serviced installment receivables throughout the nation and is a third party servicer. On February 20, 1992, FDIC entered into a small asset servicing agreement with Oxford. The contract was scheduled to continue until February 16, 1996; however, due to Oxford's Chapter 11 bankruptcy filing, the agreement was terminated on November 30, 1995, and FDIC transferred all remaining loans to another servicer. During the period from our previous audit (August 31, 1993) to November 30, 1995, Oxford reported receipts totaling approximately \$62 million.

The FDIC established functions to coordinate activities with Oxford, sell the small assets, and record financial information on the Financial Information System (FIS). The Division of Depositor and Asset Services' (DAS) Small Asset Servicing Center (SASC) was established to coordinate activities with Oxford and the FDIC service centers. These activities included the selection of assets to transfer to Oxford and reconciling Oxford's records to the FDIC's subledger and general ledger. The DAS National Small Asset Sales Unit (NSASU) was responsible for the sale of the small assets and the Division of Finance (DOF) Contractor Accounting and Oversight Group (CAOG) was responsible for the review and posting of transactions to FIS.

SCOPE AND OBJECTIVES

The scope of our contract termination audit included a review of the Oxford small asset contract financial activities from September 1, 1993 to November 30, 1995. In addition, we reviewed the activities of SASC, NSASU, and CAOG. Our audit objectives were to determine whether: accounting transactions were properly recorded on the FDIC general ledger and the transactions reviewed contained question costs or funds that could have been put to better use; the internal control structure adequately safeguarded assets and ensured the reliability of the financial records; and the financial statement presents fairly the cash receipts and disbursements of the Oxford small asset servicing contract. Our audit was conducted in accordance with generally accepted government auditing standards.

CONCLUSIONS

The results of our Oxford contract termination audit for the period from September 1, 1993 through November 30, 1995, are summarized below. A detailed discussion of each condition is presented in the conditions, recommendations, and auditee responses section of this report.

Audit Objectives

Accounting Transactions and Records - Adherence to established accounting procedures and the manner in which the accounting records were maintained was adequate. The condition regarding accounting transactions and records is discussed in the conditions and recommendations section of this report. Our audit disclosed no question costs or funds that could have been put to better use.

Internal Controls Over Liquid Assets - The system of internal control over liquid assets was very good. No audit exceptions were found.

Compliance with Laws and Regulations - In accordance with GAO standards, potential lack of compliance with applicable laws and regulations in activities reviewed is to be identified and reported. Our tests for compliance with significant provisions of certain laws and regulations

disclosed no instance of noncompliance that would be reportable under generally accepted government auditing standards.

Our opinion on the financial statement and report on the internal control structure, in conformity with GAO standards, are provided as an Appendix to this report. In planning and performing our audit, we considered the Oxford small asset servicing contract's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on the internal control structure.

We noted a matter, identified as condition number 1, involving the internal control structure and its operations that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

The statement of cash receipts and disbursements is a summary of the cash activity of the Oxford small asset servicing contract and does not present transactions that would be included in financial statements of Oxford presented on the accrual basis of

accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present financial position or results of operations in conformity with generally accepted accounting principles.

As of November 30, 1995, FDIC had transferred all the small assets to another servicer and the contract with Oxford was terminated.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Oxford small asset servicing contract for the period September 1, 1993 to November 30, 1995.

SUMMARY OF REPORT RECOMMENDATIONS

The Small Asset Service Center audit contained one audit condition and recommendation. They responded that recommended corrective action was in process for the condition.

EXECUTIVE ACTION REQUIRED

The condition that we identified was resolved by operating management. No further executive action is required regarding the recommendations because responsible management officials have indicated in their response that corrective actions have been implemented.

APPENDIX A

REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the accompanying summary statement of cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 through November 30, 1995, and have issued a report thereon.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

In planning and performing our audit of the financial statement, we considered Oxford Finance Companies, Inc. small asset servicing contract internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on the internal control structure.

The management of Oxford Finance Companies, Inc. and FDIC are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statement on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

We obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

APPENDIX A

We noted a matter involving the internal control structure and its operations, identified as condition number 1, that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe the condition discussed above is not a material weakness.

This report is intended for the use of the Office of Inspector General and FDIC management and should not be used for any other purpose.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying summary statement of cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 through November 30, 1995. This financial statement is the responsibility of Oxford Finance Companies, Inc. management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the statement of cash receipts and disbursements is a summary of the cash activity of Oxford Finance Companies, Inc. and does not present transactions that would be included in financial statements of Oxford Finance Companies, Inc. presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present financial position or results of operations in conformity with generally accepted accounting principles.

As discussed in Note 1, the small asset servicing agreement with Oxford Finance Companies, Inc. was terminated as of November 30, 1995, and FDIC transferred the remaining assets to another servicer.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 to November 30, 1995.

The scope and results of our tests of internal controls and compliance with laws and regulations are discussed in separate reports.

APPENDIX B

This report is intended for the use of the Office of Inspector General and FDIC management and should not be used for any other purpose.

APPENDIX B

OXFORD FINANCE COMPANIES, INC. SMALL ASSET
SERVICING CONTRACT
SUMMARY STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD SEPTEMBER 1, 1993 THROUGH NOVEMBER 30,
1995

Cash Receipts	
Principal and Interest Applied	\$ 61,537,169
Other	<u>519,624</u>
 Total Cash Receipts	 <u>62,056,793</u>
 Cash Disbursements	
Oxford	1,111,291
Other	<u>659,430</u>
 Total Cash Disbursements	 <u>1,770,721</u>
 Excess of Receipts over Disbursements	 <u>60,286,072</u>
 Wire Transfers to FDIC	 70,150,454
 Unremitted Funds, August 30, 1993	 <u>9,935,074</u>
 Cash Balance, November 30, 1995	 \$ <u><u>70,692</u></u>

The accompanying notes are an integral part of the financial statements

**OXFORD FINANCE COMPANIES, INC.
NOTES TO THE FINANCIAL STATEMENT**

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Oxford Finance Companies, Inc. (Oxford) of Philadelphia, Pennsylvania, is a subsidiary of Oxford First Corporation. Oxford owned and serviced installment receivables throughout the nation and is a third party servicer. On February 20, 1992, FDIC entered into a small asset servicing agreement with Oxford. The contract was scheduled to continue until February 16, 1996; however, due to Oxford's Chapter 11 bankruptcy filing, the agreement was terminated on November 30, 1995, and FDIC transferred all remaining loans to another servicer.

The FDIC established functions to coordinate activities with Oxford, sell the small assets, and record financial information on the Financial Information System (FIS). The Division of Depositor and Asset Services' (DAS) Small Asset Servicing Center (SASC) was established to coordinate activities with Oxford and the FDIC service centers. These activities included the selection of assets to transfer to Oxford and reconciling Oxford's records to the FDIC's subledger and general ledger. The DAS National Small Asset Sales Unit (NSASU) was responsible for the sale of the small assets and the Division of Finance (DOF) Contractor Accounting and Oversight Group (CAOG) was responsible for the review and posting of transactions to FIS.

The summary statement of cash receipts and disbursements is a summary of the cash activity included in the FDIC Custodial Account and the FDIC as Receiver for Broadway Bank and Trust Custodial Account involving loans serviced by Oxford Finance Companies, Inc. The summary statement does not present transactions that would be included in financial statements of Oxford Finance Companies, Inc. presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present financial position or results of operations in conformity with generally accepted accounting principles.

NOTE 2 - CASH RECEIPTS

Principal and Interest Applied - Payments received from borrowers under the contractual obligations of the existing promissory notes established by failed institutions.

Other - Other receipts includes excess customer remittances

unapplied to loan balances, advances, escrow payments, late fees, and insufficient fund fees received from loan customers.

APPENDIX B

NOTE 3 - CASH DISBURSEMENTS

Oxford - Under the small asset servicing agreement, Oxford retained 40 percent of the first \$400,000 in contingency account receipts and 50 percent of receipts above \$400,000. Also, the amount includes payments to Oxford for NSF fees and late charges received from customers. The amount does not include Oxford servicing fees which were not disbursed from the FDIC custodial accounts discussed in Note 1.

Other - Other disbursements includes remittances of cash received on loans not serviced by Oxford or refunds to customers for payments in excess of their contractual obligation.

NOTE 4 - WIRE TRANSFERS TO FDIC

This amount represents cash receipts transferred to FDIC.

NOTE 5 - UNREMITTED FUNDS - AUGUST 31, 1993

This amount represents the balance of funds which had not been remitted to FDIC, Oxford, and customers as of August 31, 1993. This amount includes funds applied to customer accounts, cash received on loans not serviced by Oxford, late fees received, and NSF fee receipts.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the accompanying summary statement of cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 through November 30, 1995, and have issued our report thereon.

We have conducted our audit in accordance with government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatements.

Compliance with laws and regulations applicable to the Oxford Finance Companies, Inc. small asset servicing contract is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statement referred to above is free of material misstatements, we performed tests of Oxford Finance Companies, Inc.'s compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such opinion.

Our tests for compliance with significant provisions of certain laws and regulations disclosed no instance of noncompliance that would be reportable under generally accepted government auditing standards.

This report is intended for the use of the Office of Inspector General and FDIC management and should not be used for any other purpose.

SCOPE AND OBJECTIVES

The scope of our contract termination audit included a review of the Oxford small asset contract financial activities from September 1, 1993 to November 30, 1995. In addition, we reviewed the activities of SASC, NSASU, and CAOG. Our audit objectives were to determine whether: accounting transactions were properly recorded on the FDIC general ledger and the transactions reviewed contained question costs or funds that could have been put to better use; the internal control structure adequately safeguarded assets and ensured the reliability of the financial records; and the financial statement presents fairly the cash receipts and disbursements of the Oxford small asset servicing contract. Our audit was conducted in accordance with generally accepted government auditing standards.

CONCLUSIONS

The results of our Oxford contract termination audit for the period from September 1, 1993 through November 30, 1995, are summarized below. A detailed discussion of each condition is presented in the conditions, recommendations, and auditee responses section of this report.

Audit Objectives

Accounting Transactions and Records - Adherence to established accounting procedures and the manner in which the accounting records were maintained was adequate. The condition regarding accounting transactions and records is discussed in the conditions and recommendations section of this report. Our audit disclosed no question costs or funds that could have been put to better use.

Internal Controls Over Liquid Assets - The system of internal control over liquid assets was very good. No audit exceptions were found.

Compliance with Laws and Regulations - In accordance with GAO standards, potential lack of compliance with applicable laws and regulations in activities reviewed is to be identified and reported. Our tests for compliance with significant provisions of certain laws and regulations disclosed no instance of noncompliance that would be

reportable under generally accepted government auditing standards.

Our opinion on the financial statement and report on the internal control structure, in conformity with GAO standards, are provided as an Appendix to this report. In planning and performing our audit, we considered the Oxford small asset servicing contract's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on the internal control structure.

We noted a matter, identified as condition number 1, involving the internal control structure and its operations that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

The statement of cash receipts and disbursements is a summary of the cash activity of the Oxford small asset servicing contract and does not present transactions that would be included in financial statements of Oxford presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statement is not

intended to present financial position or results of operations in conformity with generally accepted accounting principles.

As of November 30, 1995, FDIC had transferred all the small assets to another servicer and the contract with Oxford was terminated.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Oxford small asset servicing contract for the period September 1, 1993 to November 30, 1995.

AUDIT PROCEDURES

Audit procedures included, but were not limited to: examining selected accounts to determine the appropriateness of the balances, reviewing and testing the system of internal control, and testing transactions.

The preliminary results were discussed with Oxford Finance Companies, Inc. management and appropriate Division of Depositor and Asset Services personnel at the conclusion of our audit.

DIVISION OF DEPOSITOR AND ASSET SERVICES (DAS) - CONDITION AND RECOMMENDATION COMPLIANCE DEFICIENCY

Condition number 1 relates to DAS and addresses a lack of compliance with FDIC internal control standards.

CONDITIONS, RECOMMENDATIONS, AND AUDITEE RESPONSES

1. Reconciliation of FDIC and Oxford Loan Systems Not Timely

Condition: Differences between FDIC and Oxford loan systems were not resolved timely. As of October 31, 1995, unresolved transactions affecting LAMIS and Oxford balances totaled approximately \$2.2 million and \$1.4 million, respectively. These items had been outstanding for at least 90 days. Also, the September 1995 quarterly reconciliation of LAMIS, FIS, and Oxford balances showed unresolved differences totaling approximately

\$2.7 million. As a result, the lack of timely reconciliations of LAMIS, FIS, and Oxford information causes inaccurate reporting of loan activity.

Recommendation : The Small Asset Servicing Center should finalize all reconciling items effecting LAMIS and FIS, and ensure the timely correction of reconciling items affecting Oxford.

Auditee Response : The Oxford Corporation was responsible to provide documentation to SASC to Clear the outages between the FDIC and Oxford loan systems. Oxford did not provide SASC the necessary documentation to clear reconciling items. All Oxford-LAMIS reconciliations and LAMIS-FIS reconciliations were completed in a timely manner.

Oxford Corporation filed for a bankruptcy reorganization during October 1994. The reorganization plan was not approved by the debtors, resulting in liquidation of the Oxford Corporation. At that point, SASC contacted two Oxford Corporation contract managers to obtain adequate information to clear the Oxford reconciling items. The Oxford personnel working directly with SASC were replaced several times. This caused new errors to occur, resulting in additional reconciling items.

SASC identified all differences on a monthly basis. A copy of our reconciliation was addressed to the Oxford contact for resolution. During the beginning of 1995, SASC was very concerned about the number of outstanding outages by Oxford, and made it a priority to try and clear all the Oxford outages. The Oxford Corporation, in bankruptcy, transferred the contract and the servicing rights to another servicer with an effective date of October 31, 1995, which left SASC without an Oxford employee to assist with providing appropriate documentation to clear each reconciling item.

As of December 31, 1995, out of the \$2.2 million, outstanding items on the LAMIS side and \$1.4 million on the Oxford side, SASC has posted and/or cleared \$1.7 million and \$1.2 million respectively.

The process and efforts to clear all outages outstanding has been continuous. The completion date, to resolve all reconciling items has been set for March 15, 1996.

APPENDIX A

REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the accompanying summary statement of cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 through November 30, 1995, and have issued a report thereon.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

In planning and performing our audit of the financial statement, we considered Oxford Finance Companies, Inc. small asset servicing contract internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statement and not to provide assurance on the internal control structure.

The management of Oxford Finance Companies, Inc. and FDIC are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statement on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

We obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

APPENDIX A

We noted a matter involving the internal control structure and its operations, identified as condition number 1, that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe the condition discussed above is not a material weakness.

This report is intended for the use of the Office of Inspector General and FDIC management and should not be used for any other purpose.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying summary statement of cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 through November 30, 1995. This financial statement is the responsibility of Oxford Finance Companies, Inc. management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the statement of cash receipts and disbursements is a summary of the cash activity of Oxford Finance Companies, Inc. and does not present transactions that would be included in financial statements of Oxford Finance Companies, Inc. presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present financial position or results of operations in conformity with generally accepted accounting principles.

As discussed in Note 1, the small asset servicing agreement with Oxford Finance Companies, Inc. was terminated as of November 30, 1995, and FDIC transferred the remaining assets to another servicer.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 to November 30, 1995.

The scope and results of our tests of internal controls and compliance with laws and regulations are discussed in separate reports.

APPENDIX B

This report is intended for the use of the Office of Inspector General and FDIC management and should not be used for any other purpose.

APPENDIX B

OXFORD FINANCE COMPANIES, INC. SMALL ASSET
SERVICING CONTRACT
SUMMARY STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD SEPTEMBER 1, 1993 THROUGH NOVEMBER 30,
1995

Cash Receipts	
Principal and Interest Applied	\$ 61,537,169
Other	<u>519,624</u>
 Total Cash Receipts	 <u>62,056,793</u>
 Cash Disbursements	
Oxford	1,111,291
Other	<u>659,430</u>
 Total Cash Disbursements	 <u>1,770,721</u>
 Excess of Receipts over Disbursements	 <u>60,286,072</u>
 Wire Transfers to FDIC	 70,150,454
 Unremitted Funds, August 30, 1993	 <u>9,935,074</u>
 Cash Balance, November 30, 1995	 \$ <u><u>70,692</u></u>

The accompanying notes are an integral part of the financial statements

**OXFORD FINANCE COMPANIES, INC.
NOTES TO THE FINANCIAL STATEMENT**

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Oxford Finance Companies, Inc. (Oxford) of Philadelphia, Pennsylvania, is a subsidiary of Oxford First Corporation. Oxford owned and serviced installment receivables throughout the nation and is a third party servicer. On February 20, 1992, FDIC entered into a small asset servicing agreement with Oxford. The contract was scheduled to continue until February 16, 1996; however, due to Oxford's Chapter 11 bankruptcy filing, the agreement was terminated on November 30, 1995, and FDIC transferred all remaining loans to another servicer.

The FDIC established functions to coordinate activities with Oxford, sell the small assets, and record financial information on the Financial Information System (FIS). The Division of Depositor and Asset Services' (DAS) Small Asset Servicing Center (SASC) was established to coordinate activities with Oxford and the FDIC service centers. These activities included the selection of assets to transfer to Oxford and reconciling Oxford's records to the FDIC's subledger and general ledger. The DAS National Small Asset Sales Unit (NSASU) was responsible for the sale of the small assets and the Division of Finance (DOF) Contractor Accounting and Oversight Group (CAOG) was responsible for the review and posting of transactions to FIS.

The summary statement of cash receipts and disbursements is a summary of the cash activity included in the FDIC Custodial Account and the FDIC as Receiver for Broadway Bank and Trust Custodial Account involving loans serviced by Oxford Finance Companies, Inc. The summary statement does not present transactions that would be included in financial statements of Oxford Finance Companies, Inc. presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Accordingly, the accompanying statement is not intended to present financial position or results of operations in conformity with generally accepted accounting principles.

NOTE 2 - CASH RECEIPTS

Principal and Interest Applied - Payments received from borrowers under the contractual obligations of the existing promissory notes established by failed institutions.

Other - Other receipts includes excess customer remittances

unapplied to loan balances, advances, escrow payments, late fees, and insufficient fund fees received from loan customers.

APPENDIX B

NOTE 3 - CASH DISBURSEMENTS

Oxford - Under the small asset servicing agreement, Oxford retained 40 percent of the first \$400,000 in contingency account receipts and 50 percent of receipts above \$400,000. Also, the amount includes payments to Oxford for NSF fees and late charges received from customers. The amount does not include Oxford servicing fees which were not disbursed from the FDIC custodial accounts discussed in Note 1.

Other - Other disbursements includes remittances of cash received on loans not serviced by Oxford or refunds to customers for payments in excess of their contractual obligation.

NOTE 4 - WIRE TRANSFERS TO FDIC

This amount represents cash receipts transferred to FDIC.

NOTE 5 - UNREMITTED FUNDS - AUGUST 31, 1993

This amount represents the balance of funds which had not been remitted to FDIC, Oxford, and customers as of August 31, 1993. This amount includes funds applied to customer accounts, cash received on loans not serviced by Oxford, late fees received, and NSF fee receipts.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have audited the accompanying summary statement of cash receipts and disbursements of the Oxford Finance Companies, Inc. small asset servicing contract for the period September 1, 1993 through November 30, 1995, and have issued our report thereon.

We have conducted our audit in accordance with government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatements.

Compliance with laws and regulations applicable to the Oxford Finance Companies, Inc. small asset servicing contract is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statement referred to above is free of material misstatements, we performed tests of Oxford Finance Companies, Inc.'s compliance with certain provisions of laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such opinion.

Our tests for compliance with significant provisions of certain laws and regulations disclosed no instance of noncompliance that would be reportable under generally accepted government auditing standards.

This report is intended for the use of the Office of Inspector General and FDIC management and should not be used for any other purpose.

AUDIT REPORT

TERMINATION OF OXFORD FINANCE

COMPANIES, INC. SMALL ASSET SERVICING CONTRACT

AS OF NOVEMBER 30, 1995

FEDERAL DEPOSIT INSURANCE CORPORATION

OFFICE OF INSPECTOR GENERAL

FEBRUARY 20, 1996

TERMINATION OF OXFORD FINANCE
COMPANIES, INC. SMALL ASSET SERVICING CONTRACT

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